

Message Text

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ACTION OPIC-06

INFO OCT-01 ARA-10 ISO-00 EB-08 AID-05 TRSE-00 OMB-01

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FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 6981

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FOR OPIC

E.O. 11652: N/A

TAGS: EFIN, EINV, NU

SUBJECT: SUBJECT: LOANS TO COMPANIES LOCATED IN MANAGUA FREE
TRADE ZONE

REF: GURR/HAIGH LETTER OF MAY 22

1. EMBOFF HAS SPOKEN WITH OFFICIALS AT NATIONAL DEVELOPMENT INSTITUTE (INFONAC), APEX (FREE TRADE ZONE), AND NICARAGUAN CENTRAL BANK ABOUT PROGRAM OF LENDING TO COMPANIES ESTABLISHED IN MANAGUA'S FREE TRADE ZONE.

2. INFONAC OFFERS FINANCING FOR MACHINERY AND OTHER FIXED ASSETS TO ANY FIRM LOCATING IN THAT ZONE. THE INTEREST RATE VARIES ACCORDING TO THE AMOUNT OF THE LOAN. FOR A LOAN NOT EXCEEDING US\$500,000, THE RATE IS CURRENTLY 9.5 PCT; FOR LARGER LOANS, THE RATE IS 11 PCT. THE PAYBACK PERIOD IS CORRELATED TO THE ANTICIPATED USEFUL LIFE OF THE GOOD PURCHASED WITH LOAN FUNDS. MOST LOANS MUST BE REPAYED IN FIVE YEARS, ALTHOUGH A GRACE PERIOD OF TWO YEARS IS OFTEN INCLUDED IN THE TERMS. (NOTE: THE USUAL INTEREST RATE ON THIS TYPE OF LOAN FROM A PRIVATE COMMERCIAL BANK WOULD BE APPROXIMATELY 13 PCT.)

3. A CENTRAL BANK OFFICIAL INDICATED THAT THE INFONAC PROGRAM IS
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IN TANDEM WITH THE CENTRAL BANK'S PROGRAM TO MAKE FINANCING AVAILABLE TO EXPORTERS OF NON-TRADITIONAL GOODS (I.E. NON-AGRICULTURAL PRODUCTS IN THIS CONTEXT) INFONAC MAY DISCOUNT THESE "EXPORTER" LOANS TO THE CENTRAL BANK, ALTHOUGH INFONAC HAS NOT AS YET DONE SO WITH LOANS GRANTED TO APEX COMPANIES.

4. AN APEX OFFICIAL INDICATED THAT THE AVAILABILITY OF THIS FINAN-

CING IS ONE OF A NUMBER OF INCENTIVES OFFERED TO FIRMS WHO LOCATE IN THE FREE TRADE ZONE. THE PURPOSE IS TO PROVIDE A BETTER, MORE COMPLETE "PACKAGE" TO THE POTENTIAL INVESTOR. THE COMPANIES CAN CHOOSE WHETHER TO FINANCE THROUGH INFONAC OR NOT. HE INDICATED THAT, TO DATE, ALL THE COMPANIES IN THE ZONE HAVE TAKEN ADVANTAGE OF THAT FINANCING.

5. COMMENT: LOCAL CRITICISM OF INFONAC HAS CENTERED MAINLY ON THE CHOICE OF RECIPIENTS OF THE ORGANIZATION'S LOANS. SOME LOCAL BUSINESSMEN FEEL THAT INFONAC IS FREQUENTLY USED AS A PRIVATE BANK FOR COMPANIES IN WHICH THE SOMOZA FAMILY HAS INTERESTS. HOWEVER, EMBASSY HAS HAD NO INDICATION THAT ANY OF THE FIRMS LOCATED IN THE FREE TRADE ZONE ARE SOMOZA CONNECTED OR THAT GON-CONNECTED GROUPS RECEIVE ILLICIT CUTS FROM LOANS MADE TO THESE COMPANIES. APEX HAS THE REPUTATION OF BEING WELL AND PROFESSIONALLY MANAGED AND RELATIVELY CORRUPTION FREE.
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Message Attributes

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Review Exemptions: n/a
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